

Cross Timbers Business Report

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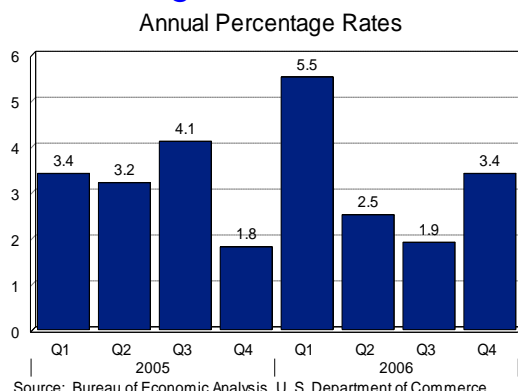
Spring 2004

2006 Growth Ends on a High Note

By Jennifer Williams

The U.S. Economy rebounded in the fourth quarter of 2006, as real gross domestic product (GDP), the measure of output of all goods and services produced in the economy, rose at a 3.4 percent rate, according to the latest report by the U.S. Department of Commerce.

Changes in Real GDP



For the year, GDP advanced 3.3%, slightly outpacing last year's average expansion of 3.1%. The past quarter's growth was mostly due to increases in consumer expenditures, especially for nondurable goods, net exports, and government expenditures, which overcame a drop in private investment outlays.

Consumer spending, which includes durable goods, nondurable goods and services, increased 4.4 percent in the October through December period following a 2.8 percent increase in the third quarter. This fourth quarter growth was due to a 6 percent increase in durable good outlays, a 6.9 percent increase in nondurable good spending, and a 2.9 percent rise from service expenditures.

Following a 10 percent increase in third quarter business investment spending, fourth quarter expenditures fell by 0.4 percent. A decrease in software and equipment of 1.8 percent and a drop

in residential fixed investment of 19.2 percent overwhelmed an increase of 2.8 percent in business structure investment.

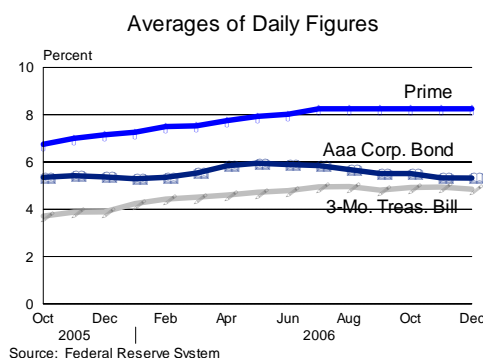
Federal government expenditures provided substantial help to GDP growth in the final quarter of 2006, expanding by 4.5 percent compared to only a 1.3 percent increase in the quarter before. A rise in national defense expenditures of 11.9 percent joined an increase of 3.3 percent in state and local government outlays to support this advance.

U.S. exports increased 10 percent in the last quarter of 2006 compared to a 6.8 percent increase from quarter three. Real imports dropped 3.2 percent.

The Department of Commerce collects and reports GDP data on a quarterly basis. The data will be revised twice before a final estimate is posted.

Jennifer Williams is a senior majoring in economics at Tarleton State University

INTEREST RATES



Interest rates showed little change in 2006, as the Federal Reserve maintained an "even keel" policy on short-term rates, and declining inflationary expectations kept a lid on long-term yields.

Inflationary Pressures Moderate in 2006

By Visente Arreola Jr.

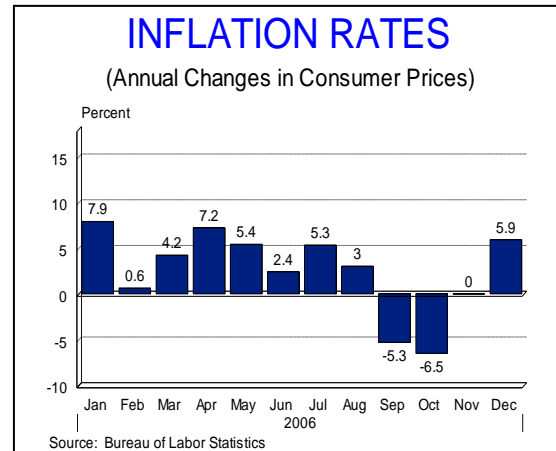
Fuel and electricity, the sectors that contributed to increased inflationary pressures in 2005 helped keep prices in check last year.

Energy prices, which fell at an annual rate of 11.2 percent in 2006's final quarter, expanded by only 2.9 percent during all of last year. This increase contrasts to 2005's explosive 17.1 percent increase.

Overall, the consumer price index (CPI) increased by 3.2 percent last year. This growth falls below 2005's 3.4 percent growth but lies above the 2.7 percent expansion measured in 2004.

The Consumer Price index is published monthly by the Bureau of Labor statistics and is the nation's most closely watched inflation measure.

Visente Arreola Jr. is a senior accounting major at Tarleton State University

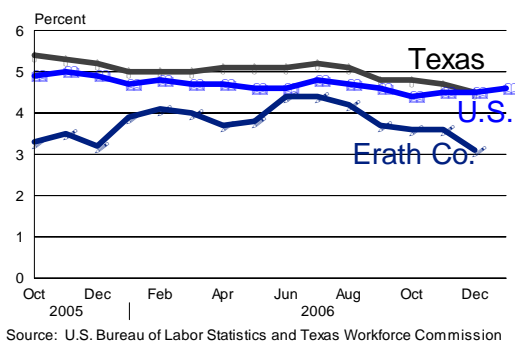


Unemployment Data Indicate Strengthening Job Markets

By Blake Williams

The last quarter of 2006 showed marginally decreasing unemployment rates for Texas and Erath County, while the unemployment rate for the U.S. moved slightly higher. Erath County showed the largest decline, from 3.6 percent in October to 3.1 percent in December. Texas' rate declined from 4.8 percent in October to 4.5 percent in December, and the U.S. rose slightly from 4.4 percent in October to 4.5 percent in December.

UNEMPLOYMENT RATES



For all of last year, the U.S. unemployment rate averaged 4.6 percent. This value represents a

marked improvement over the 5.0 percent average posted the year before. Texas' 2005 unemployment rate averaged 5.0 percent, which also lies below the 5.3 percent rate registered in 2004. Erath County reported an average jobless rate of 3.9 percent last year, which rests slightly above the 3.8 percent rate for the previous year.

Elsewhere in the Cross Timbers area, Comanche County's unemployment rate fell from 4.5 percent in October and November to 4.1 percent in December. The area's 4.7 percent rate for all of last year is slightly higher than the 4.5 percent figure posted the year before.

Hamilton County's jobless statistic declined from 4.5 percent in October to 4.4 percent in November to 3.7 percent in December. Last year's average jobless figure of 4.6 percent lies above the 4.1 percent value noted in 2004.

Bosque County showed a drop in unemployment from 4.4 percent in October and November to 4.0 percent in December. The 4.6 percent average jobless rate for last year falls below 2004's 4.9 percent value.

Eastland County also experienced a drop in unemployment rates during the fourth quarter.

This area's jobless statistic dropped from 4.4 percent in October and November to 3.8 percent in December. This county's 4.7 percent average rate for all of last year lies slightly below the 4.8 percent figure recorded the year before.

The U.S. Bureau of Labor Statistics collects and publishes unemployment statistics for the United States and Texas, while the Texas Work-

force Commission maintains data for counties. U.S. and state data are adjusted for normal seasonal fluctuations, while county data remain unadjusted.

Blake Williams is working toward a master of business administration degree at Tarleton State University

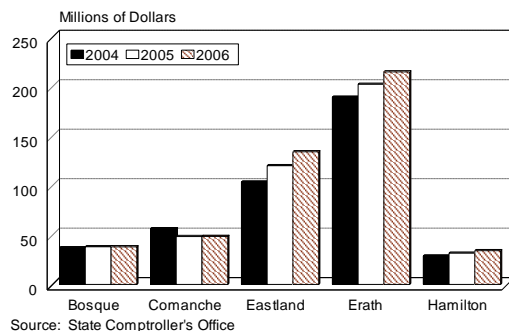
Retail Sales Increase in 2006

By Mary Sheehan

Cumulative retail sales for the Cross Timbers area increased 6.6 percent for the first six months of 2006, compared to the same period the year before, according to information recently released by the State Comptroller's Office. With the exception of Bosque, all area counties reported increases in sales receipts between 2005 and 2006.

RETAIL SALES

Area Counties, January - June



Bosque County posted aggregate sales of \$38.0 million during the first half of 2006. This value falls 0.1 percent below the previous year but lies 2.4 percent above the figure noted in 2004.

Comanche County's \$48.5 million sales total for the first two quarters of last year was 0.3 percent higher than the value noted the year before but fell 13.8 percent short of the aggregate noted two years earlier.

Hamilton County posted \$34.1 million in retail sales during the first six months of 2006. This figure represents gains of 7.9 percent and 18.7 percent over 2005 and 2004 values.

Eastland County reported the area's fastest sales growth rate last year. Its \$134.0 million revenue figure for the year's first half represented a gain of 11.7 percent over the year before and an expansion of 29.5 percent when compared to the same period in 2004.

Erath noted the largest sales total of any Cross Timbers county last year. Its \$214.8 million aggregate represents an expansion of 6.2 percent over the 2005 value and a growth of 13.5 percent when compared to the 2004 total.

Retail Sales data are reported on a quarterly basis by the Texas State Comptroller. Five to six months typically elapse between the end of a period and the release of its sales statistics.

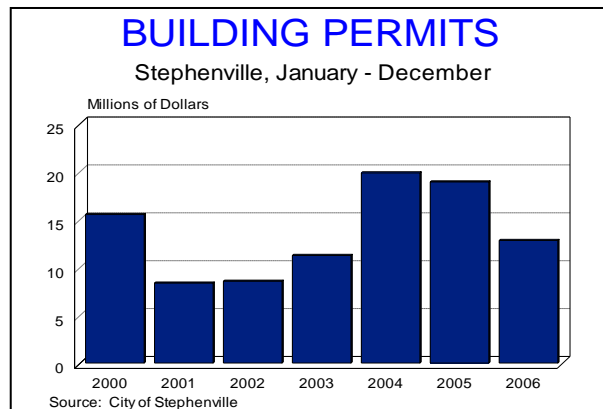
Mary Sheehan is a senior accounting major at Tarleton State University.

The College of Business Administration at Tarleton State University presents the [Cross Timbers Business Report](http://www.tarleton.edu/~econ/ctbr.htm) (<http://www.tarleton.edu/~econ/ctbr.htm>) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.

Building Permit Totals Decline from Previous Years' Levels

By Christen Lindsey

Building permit valuations for 2006 were 32.3 percent lower than the aggregate for 2005 and 35.5 percent below the figure for 2004, according to figures collected and reported by the City of Stephenville.



Estimated construction values for 2006 totaled \$12.8 million. Major contributions to this posting came from large projects, which clustered in the March – June period. April, with a permit value of \$2.8 million represented the largest single month of last year.

Troy Curtis, Stephenville Building Inspector reminds residents that permits are required for all construction projects. He notes that anyone wanting to build new buildings, make additions, or perform any renovations, including electrical and plumbing work, needs a permit. One can retrieve applications and codes for permits from the city's Web site (<http://www.ci.stephenville.tx.us/>). If any confusion should arise, the best action is to call the building inspector's office at 254-965-7887.

Christen Lindsey is pursuing a master of science degree in leadership at Tarleton State University

Milk Sales Maintain Dominance of County's Agricultural Economy

By James Reed

Milk sales represent Erath County's most dominant agricultural business, according to estimates compiled by the Agricultural Extension Service. Based on this agency's findings, agricultural income for the county in 2006 totaled \$233.1 million, and came from four basic sources: milk, other livestock and products, crops, and government payments.

Wholesale milk receipts, which totaled \$161.5 million in 2006, accounted for 69.3 percent of Erath County's agricultural income. Other livestock and product revenues contributed another \$59.4 million, crops generated \$10.0 million, and government payments added \$2.3 million to income. Milk sales declined 14.9 percent, when compared to 2005, while other livestock and products showed a 10.6 percent increase. Crops registered a 13.5 percent drop in 2006 relative to the year before.

Erath County's agricultural extension agent compiles estimates of agricultural income from all sources on an annual basis.

James Reed is a Senior Interdisciplinary Business major at Tarleton State University.

